



U.S. Department of Transportation

Financial Management Status Report and 5 Year Plan

Fiscal Years 2000 - 2005

A MESSAGE FROM THE CHIEF FINANCIAL OFFICER

As we embark on a new millennium, the Department of Transportation (DOT) continues to make full use of its financial resources in support of the Administration's goals. To advise of our plans, we proudly submit our FY 2000 Financial Management Status Report & 5 Year Plan.

This report illustrates the accomplishments, the current status and plans for Transportation's financial community, which is sponsored by the Department's Chief Financial Officers' Council and the Financial Management Committee. Using guidelines such as the government-wide financial management goals, the Government Performance and Results Act (GPRA), related legislation, DOT's Strategic Plan, and our Financial Management Visions, Transportation has changed its business practices to increase efficiency. Our focus is on upgrading our accounting system, achieving clean audit opinions on our consolidated financial statement, and exploiting the Internet. To improve our financial management, we engaged in the following:

- Completion of the implementation of the Delphi program, Transportation's new integrated financial management systems environment.
- Promoted the use of electronic business practices by offering citizens the ability to make payments over the Internet with a credit card and electronic checks.
- Improving our travel process through the use of web-based travel management services which better serve Federal travelers and reduce travel transaction fees.
- Continued innovative financing techniques that supplement Federal funds with private and non-Federal public sector investment for transportation infrastructure.
- Made over 98% of employee salary payments by Electronic Fund Transfer, a one percent increase over last year.
- Saved over \$46 million in administrative costs in FY 2000 by using the Government Small Purchase Credit Card.

This new millenium brings much promise for the future of Transportation's financial management. We look forward to the many challenges of innovation. We are committed to fostering an environment of positive change, one which will embrace technology to help us improve business practices. By posturing ourselves strategically, we will make better financial decisions, capitalize on available resources, and deliver effective and efficient financial information.

Peter J. Basso
Chief Financial Officer

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Introduction

The DOT Organization

The U.S. Department of Transportation (DOT) is the Federal steward of the Nation's transportation system and speaks for transportation in the Federal government. Transportation, created in 1967, develops policies and programs that contribute to a fast, safe, efficient, and convenient transportation system at the lowest cost—essentials to meet national objectives of economic growth and stability, security of the United States, and the proper use and conservation of resources. Its creation brought under one umbrella a myriad of transportation missions and programs, some of which date back to the 1700s.

DOT employs approximately 100,000 civilian and military people located across the country and the world. It includes the following organizations:

Office of the Secretary (OST)
United States Coast Guard (USCG)
Federal Aviation Administration (FAA)
Federal Highway Administration (FHWA)
Federal Motor Carrier Safety Administration (FMCSA)
Federal Railroad Administration (FRA)
National Highway Traffic Safety Administration (NHTSA)
Federal Transit Administration (FTA)
Saint Lawrence Seaway Development Corporation (SLSDC)
Maritime Administration (MARAD)
Research & Special Programs Administration (RSPA)
Bureau of Transportation Statistics (BTS)
Surface Transportation Board (STB)
Transportation Administrative Service Center (TASC)

These organizations are working together as *One DOT* to create the best transportation system for America, one that is *international in reach, intermodal in form, intelligent in character and inclusive in nature*.

This Report

This Financial Management (FM) Status Report and 5 Year Plan highlights our major FM initiatives, future plans, and recent accomplishments. It shows how we are working to improve and reform FM in support of Government-wide FM goals and related legislation, and DOT's Strategic Plans and FM Visions.

The specific improvements we are implementing and the progress and commitment we have made to meet these goals and make financial management work better in DOT are described in the four sections of this report—***Improving Financial Systems, Improving Financial Information, Streamlining and Modernizing Financial Services, and Maximizing Financial Resources.***

Improving Financial Systems

DOT's progressive evolution of its aging financial system components to modern commercially available components is quickly taking shape. Progress continues on implementing and integrating a new program -- "Delphi"-- moving DOT away from the Departmental Accounting and Financial Information System (DAFIS) into an advanced financial systems environment. ***Improving Financial Systems*** discusses our systems strategy, the Delphi program, and many other systems improvements.

Introduction

Improving Financial Information

DOT recognizes that the reliability of our financial statements must be enhanced and improved. For FY 1999, we obtained an unqualified audit opinion on *all* DOT financial statements, and we are working hard to put in place permanent processes and structures so that it will recur. Our information systems and processes to assemble, array and display financial data and status information to our managers and executives continue to be upgraded and refined for easier and quicker access. We want to be sure we get the right financial information where it needs to be and when it needs to be there for decision making. This year DOT also continues its efforts toward full implementation of the Government Performance and Results Act with preparation of our annual Performance Plan containing performance measures designed to give the public information on the results of our programs.

Streamline and Modernize Financial Services

To *Streamline and Modernize Financial Services*, DOT is leveraging technology to achieve the best results and make the most of available resources. By automating and taking advantage of electronic transmission of data and information for both our internal processes (i.e., employee travel, internet payments, salary payments, procurement), and our external processes (i.e., payments to grantees and vendors, etc.), we are making things easier and quicker for all of our customers *and* cutting administrative costs. As we move further into web-enabled technology, our improvements should be even more effective.

[illegible]

Investment in transportation infrastructure--an 86 percent average increase over the previous administration-- is at a sufficient level to begin narrowing the gap between resource needs and availability. To help fill this gap, DOT continues to take advantage of innovative financing techniques that were authorized by the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) and the recent Transportation Equity Act of the 21st Century (TEA-21). In addition, the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century authorized aviation programs of the FAA and elsewhere in DOT through FY 2003 at record levels for aviation capital and operations funding. The *Maximizing Financial Resources* section of this report describes some of the features of innovative financing. This section also showcases where DOT's funding comes from and where it goes.

Section 1: Improving Financial Systems

Financial Systems Philosophy and Strategy

DOT has a strategic vision for an integrated financial management systems environment that provides valuable information for its program, budget, procurement, property and financial managers. Financial managers have recognized that, despite DOT achieving a single, integrated accounting system, they are still challenged to do *more with less* and at the same time provide better and more reliable information, more quickly and more flexibly.....*and all at less cost*.

To achieve this strategic vision, the DOT is moving aggressively to evolve its aging financial system components to modern, commercially available financial applications. DOT believes commercial-off-the-shelf (COTS) solutions that automate best practices in financial management will meet its current and future financial system needs. The present financial systems exact a high cost for managing and maintaining "in-house" developed applications; require a lengthy and cumbersome change management process for meeting user needs.

DOT established a set of "high bar" characteristics that a COTS solution must meet. Systems with these characteristics are likely to give users a modern, advanced systems environment, reduce the cost of operation, and increase services to financial customers. They include:

- ◆ Commercial availability
- ◆ Flexibility/Maintainability at the functional user level (not programmers)
- ◆ Modular, tight integration of functional components

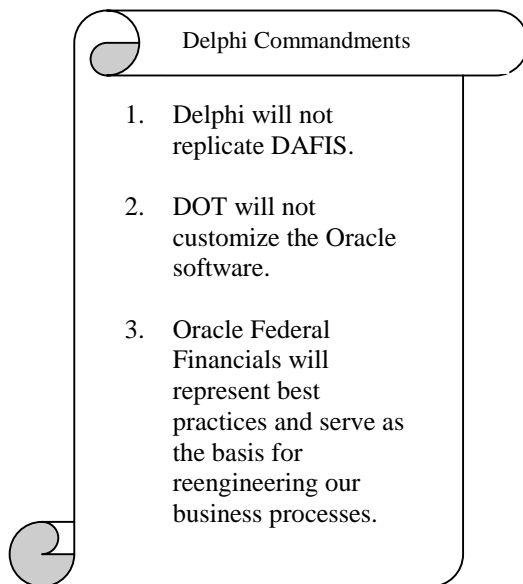
- ◆ Single source data capture
- ◆ Electronic routing and approval
- ◆ Web-accessible
- ◆ Electronic commerce capabilities

Armed with this criteria, the Office of Financial Management (OFM) conducted a study in the Spring of 1997 to determine whether DOT could evolve the Departmental Accounting and Financial Information System (DAFIS) to one that would meet the current and future needs of the Department. OFM formed an evaluation team with representatives from the U.S. Coast Guard, FAA/Mike Monroney Aeronautical Center, and the Federal Highway Administration to develop a DOT functional evaluation criteria document to assess COTS systems.

After reviews by evaluation team members of potential General Services Administration Financial Management Supply Schedule candidates, the study concluded with an operational capabilities' demonstration (OCD) of the Oracle Federal Financial applications in December 1997. The OCD presented demonstrations of 25 "super scenarios" which assimilated the Department's most complex business processes as defined by the Operating Administrations (OAs), and incorporated the DOT functional evaluation criteria. Financial Management Committee (FMC) members completed formal evaluations of the expected results. Given the high percentage of expected results successfully demonstrated by Oracle Federal Financials, the Deputy Chief Financial Officer endorsed its evolutionary use throughout the Department. Thus, came the birth of the "Delphi Program".

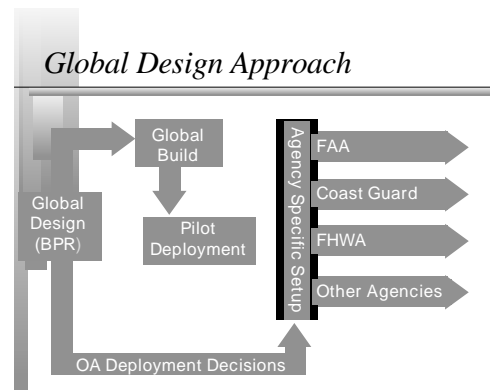
Section 1: Improving Financial Systems

Based on the results of the OCD, DOT financial systems will be comprised of, but not limited to: (1) *corporate components*, such as a general ledger and a financial statement preparation facility; (2) *feeder systems*, such as budget, procurement, travel, grants, payroll, and personnel; and (3) *reporting systems*, using data warehousing technologies. Moreover, the Department established three “commandments” for the Delphi Program:



The Department is using a “Global Design” approach for implementing Delphi. DOT has categorized its functional requirements into three categories:

- ◆ Universal - requirements that are uniform and integral to all operating components of the Department.
- ◆ Standard - requirements shared by two or more operating components of the Department.
- ◆ Exception - requirements unique to a single operating component of the Department.



The Delphi Global Design will include requirements of all three categories; however the Global Build will only include Universal and Standard requirements. The Global Build will serve as the “generic” configuration for DOT’s installation of Oracle Federal Financials, and was implemented first as a pilot in the Federal Railroad Administration. During the Global Design and Build activities, the Operating Administrations will identify any exception requirements not included in the Global Build; begin making deployment decisions for their organization; and plan their individual implementations to occur following the installation of the pilot.

Currently, the Office of Inspector General (OIG), FRA, and RSPA have implemented Delphi. TASC, FTA, BTS, STB and OST began implementation in January 2001. The remainder of the Department is scheduled for full implementation during 2001.

The Chief Financial Officer (CFO) Council is continually re-evaluating the visions and strategies of its existing FM Strategic Plan. This action will ensure our FM operations, systems, and policies continue to support DOT’s mission, goals, and programs.

Section 1: Improving Financial Systems

Upgrading Systems

◆ **Cost Accounting System (CAS)**

The Federal Aviation Reauthorization Act of 1996 (P.L. 104-264) directed the FAA to develop a cost accounting system that adequately and accurately reflects investments, operating and overhead costs, revenues, and other financial measurement and reporting aspects of operations. Begun in FY 1997, the system will help track the cost of agency services, support the collection of user fees, and meet the mandate of the legislation.

The system is being implemented in a phased approach by line of business or staff office. The initial focus has been on Air Traffic Services, the line of business with more staffing and funding than any other FAA organization. Annual cost reports have been produced for the enroute and oceanic service areas for both FY 1998 and FY 1999. The FY 1999 costs were used as the basis for overflight fees, which the FAA began charging in August 2000.

In September 2000, flight services were implemented and cost reports produced on a quarterly basis. The agency has completed the first two quarters and is wrapping up the third quarter. With the implementation of terminal services in November 2000, Air Traffic Services will be fully implemented and receiving cost reports on a monthly basis for all four service areas.

Over the next two years, the FAA will be implementing all remaining organizations on the Cost Accounting System. In concert with this initiative, the FAA has launched an effort to

implement labor distribution reporting agency-wide. Tracking where employees actually spend their time will provide more accurate cost information, thereby improving the value of the cost accounting reports. The FAA will use the labor distribution capability provided in the Integrated Personnel and Payroll System (IPPS) as the standard system for collection of labor distribution data. The implementation schedule (also using a phased approach) will be available in November 2000.

Target for Completion: FY 2002

◆ **Property and Procurement**

Large Unit Financial System (LUFS-NT)

The Large Unit Financial System (LUFS) is the Coast Guard's sole unit level procurement and funds management software and a DOT CFO feeder system. LUFS – NT is the Coast Guard's Windows-NT version of the software. LUFS provides electronic source data entry and is used for the transmission of financial and procurement data to the Coast Guard Finance Center (FINCEN) for update to the DAFIS and automates the reconciliation of DAFIS balances with local ledger accounts maintained in LUFS. Without LUFS or similar tools, Coast Guard financial management would rely on manual or semi-automated processing of variable integrity.

The new version of LUFS, LUFS – NT, is now in production. Coast Guard Headquarters has already migrated to LUFS-NT. Several enhancements have been made to LUFS-NT including the ability to generate travel orders,

Section 1: Improving Financial Systems

inclusion of several contracting forms, workflow processing of documents using Exchange Mail, electronic interfaces to Oracle Projects and Fixed Assets, and the ability to support digital signatures and electronic commerce. LUFs-NT is being deployed via a centralized database architecture to minimize database administration costs. Deployment is currently underway and all shore units in 6 Coast Guard Districts (out of nine) have been migrated. Citrix MetaFrame has been employed to field the application as a web-based product. This has significantly decreased the time required to deploy LUFs-NT at remote sites.

Target for Completion: FY 2002.

Assets Accounting and Property Management System

During FY 1999, the Coast Guard successfully completed implementation of a commercial off-the-shelf (COTS) asset accounting and property management system, Oracle Financials – Fixed Assets application. The benefits from the COTS software solution have been numerous. The system enables the Coast Guard to meet the property accounting requirements of the CFO Act and the Federal Accounting Standards Advisory Board (FASAB). This system resolves several critical issues by meeting JFMIP and CFO Act requirements. In addition to meeting the needs of financial managers, this highly collaborative cross-programmatic effort improved information available to property managers and to program managers. For example, property custodians now have more detailed information available on the location,

value, status, and condition of the property under their control. Procedures have been established for performing ongoing physical inventories of capital assets for validation with system records. By closely working with program managers and utilizing application extensions, the Coast Guard was able to implement Oracle Fixed Assets in less than one year and collapse several non-integrated asset systems into Oracle Fixed Assets.

In addition, the Coast Guard implemented a COTS software package - Oracle Financials - Project Accounting application - for tracking and controlling funds expended within our Acquisition, Construction and Improvement (AC&I) appropriation which totals over \$500 million annually. The system works in conjunction with the Fixed Asset application to give financial and program managers the enhanced ability to identify total project cost, construction in process balances, and assets procured. The system is also used for managing and billing project costs in our accounts receivable and industrial accounting programs.

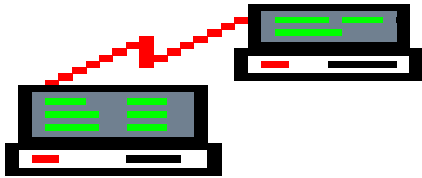
In concert with these system implementations, the Coast Guard completed in all material aspects the clean up of Property and Construction In Process records. This clean up has ensured that the data in these new systems is accurate and up to date and provides an excellent start to the ongoing efforts to transition to Delphi. The systems implementation and data clean up facilitated the Coast Guard's ability to meet CFO Act audit requirements and have improved focus on asset and accountability. Further system

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improvements and data clean up is expected to continue through *calendar* year 2000.

Target for Completion: FY 2001.

Workflow Image Network System (WINS)



The Workflow Image Network System (WINS) is a commercial Purchase Order and Invoice processing system which integrates payment processing rules and procedures with document images in an automated “workflow” environment. WINS eliminates the need to handle and process large volumes of paper and allowed DOT to “turn-off” the DAFIS Voucher Examination Module (VEM), thereby avoiding future renovation work for this module. WINS provides automatic tracking and status of documents. The document images are linked to financial and payment data in a relational database. The imaged documents for payment are automatically “workflowed” by the system to specific points for user action, automatically controlling and monitoring the volume of work. This results in reduced overall processing time. Based on specific system criteria or user actions, accounting and payment transactions are then automatically written to the accounting system. WINS started processing documents in April 1998 and has since expanded its processing capabilities to include all

document types. WINS has been expanded to include the following:

- A complete telephone/utility document processing module (WINS UT) which tracks utility data to account and meter number level.
- A web enabled (by use of Citrix MetaFrame) energy reporting system (FASER) for engineers to be implemented through FY 2001 and supplied by WINS utility information.
- A WINS Contract and Military Interdepartmental Purchase Request processing module featuring remote access for selected contracting sites.
- An Asset/Property module for imaging and management of CG property documents.
- A web-based WINS invoice payment history module which tracks obligations and payments to individual vendors.
- An expanded WINS Other Document Type (ODT) module to include 16 other document types for processing in WINS.
- A Customer Service Module implemented to assist with customer calls to the Coast Guard Finance Center. A Household Goods (HHG) Module which tracks and calculates member’s self-procured moves incentive and tax withholding information and reports quarterly to the Coast Guard military payroll center.

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- An Automatic Quarterly Deobligation Routine for Commercial Purchase Orders.

Target for Completion: Completed

ACQUIRE

In FY 2001, FAA's ACQUIRE purchasing system will be merged with Delphi, the department's replacement for DAFIS. ACQUIRE will become a component of the integrated DOT administrative system suite that addresses corporate functions for financial and asset management. Delphi Purchasing will be a web-based application that supports a minimum of 5,000 users with on-line access privileges to generate annually for various programs over 300,000 procurement transactions for the FAA. Delphi Purchasing will take advantage of the seamless integration of Delphi to improve the reporting of the FAA's procurement information to DOT and other government entities.

Target for Completion: FY 2001

Project Tracking

Streamlining and upgrading is in progress on FHWA's Fiscal Management Information System (FMIS). The FMIS is used by FHWA and the State DOTs to obligate and track projects comprising the \$26 billion per year Federal-aid Highway Program. The revised system will redefine the data elements resulting in fewer categories and improved quality of data. In addition, it will take advantage of improved user-friendly technology. The new FMIS will also be web-enabled,

allowing access with a standard Web browser. The revised system is expected to be available for use by October 2000.

Target for Completion: FY 2001

Delphi Imaging Program

As a part of implementing the Delphi accounting system, Delphi is adopting a document imaging system that will integrate scanned images of financial documents with financial records in Delphi and make the document images easily and quickly accessible over the Web. Under Delphi's imaging program, financial documents will be scanned and stored in electronic files that are fully integrated with the Delphi accounting system and payment process. This integration will significantly accelerate Delphi's transaction processing and enable the Department to maintain records on contracts, payments and vendors more efficiently.

The Coast Guard Finance Center in Chesapeake, Virginia, is the operations center for Delphi's imaging project. The system features high-speed document scanning and capture, high volume storage management, annotation and interaction capability, fax support, and security safeguards. All contract and payment documents will be received electronically or added as images into the database. Any DOT employees who need to use these documents will be able to access them electronically without leaving their desk to find a paper file.

Document imaging provides many advantages: Critical documents will become much more accessible to DOT staff. With documents available quickly

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and easily on-line, extensive paper files and file cabinets will no longer be needed, extra information copies will not have to be faxed; and vendors will not have to be called for information that DOT already has. Delphi payment offices will no longer have to handle, batch control, and store large quantities of paper files. The cost of handling and filing paper documents will decrease significantly.

Dealing with “virtual documents” will especially increase the productivity of accounting and audit activities. Accountants and program officials will be able to retrieve documents quickly and in a format that can be easily used as needed. Auditors will be provided read-only access to payment documents and other supporting documentation. This means that the Inspector General staff will not need to go to the payment site or document storage center to retrieve contracts and other obligation documents. Auditors will increase their productivity, reduce travel costs, and eliminate copying and archiving costs.

Document management will no longer take the time of fund administrators, payment staff, contracting officers, grants administrators and others. Instead, they will be able to focus their time on program analysis and management. Private sector experience shows that immediate electronic access to documents greatly improves payment productivity, reduces storage costs, and reduces reproduction and transmission costs.

The Federal Railroad Administration (FRA) will be the first DOT Operating Administration to use document imaging

integrated with the Delphi accounting system. Implementation is on schedule for the first quarter of calendar year 2001. DOT will realize additional benefits as other DOT Operating Administrations implement Delphi and the integrated imaging system we are developing to go with it. The Delphi document imaging program will highlight DOT’s leadership in gaining the fullest benefits of innovative technology.

Target for Completion: FY 2001

DAFIS/Delphi Financial Statements Module – FSM 2000

We have developed a DAFIS/Delphi Financial Statements Module which automates the preparation of an Adjusted Trial Balance Report with an accompanying Audit Transaction Report. The Module provides an efficient means of preparing financial statements to ensure the accuracy and integrity of data. FSM 2000 is Y2K compliant and web enabled, using an Oracle database infrastructure. Presently, the Department is developing within FSM 2000 the capability of generating the FACTS II Account Groupings Worksheets that are required for the CFO verification of summarized FACTS data. This data is used as input to the Government-wide Financial Statements.

The Module consolidates data from DAFIS and Delphi, and prepares the Consolidated Financial Statements during the transition to Delphi. FSM 2000 will provide the OAs and the Department with an automated system, which produces efficient and accurate

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data that will greatly increase the capability of meeting the Government's financial reporting requirements. The system will decrease the time required to produce the statements, which will allow more time for review and audit by the OAs and the OIG.



Section 2: Improving Financial Information

Managing for Results -- The Government Performance and Results Act (GPRA)

Strategic Planning

FY 2000 was an important year in DOT's continuing transition to managing for results. The Government Performance and Results Act (GPRA) of 1993, required agencies to create plans that identify their mission and strategic goals, set annual performance goals that are related to strategic goals, describe how goals will be achieved and the resources needed, and identify measures that will be used to gauge progress towards achieving goals. During this last year, DOT delivered its second Strategic Plan. Work was completed on the third Performance Plan and the Department delivered its first Performance Report for FY 1999, as required by law.

DOT's second GPRA Strategic Plan 2000-2005 was delivered to Congress in September, as required by law. A critical foundation piece for performance-based budgeting and management, the DOT Strategic Plan focuses resource allocation on five Department-wide strategic goals and one organizational goal, each with measurable objectives. This strategic plan includes the goal of advancing the Department's ability to manage for results and innovation -- organizational excellence. Our organizational excellence goal builds on the ONE DOT management strategy we advanced in our 1997-2002 Strategic Plan. We developed three organizational outcomes we want to achieve in the next five years: improved customer satisfaction; improved employee satisfaction and effectiveness; and improved organizational performance and productivity. The completed plan reflects

a cohesive, cross-modal vision for *what* the Department aims to accomplish (strategic goals) as well as *how* the Department aims to conduct its business (organizational excellence). This plan aligns the efforts of the Operating Administrations (OAs) and Departmental offices, and provides a framework for implementing the National Partnership for Reinventing Government (NPRG) initiatives. It also supports sound budgeting and financial management by integrating policy development and resource planning across modes well ahead of the budget process. The DOT 2000-2005 Strategic Plan was the culmination of over two years of work within DOT to re-tool management thinking and processes around the strategic outcomes.

DOT Strategic Goals

Safety – *Promote the public health and safety by working toward the elimination of transportation-related deaths and injuries.*

Mobility – *Shape an accessible, affordable, reliable transportation system for all people, goods and regions.*

Economic Growth – *Support a transportation system that sustains America's economic growth.*

Human and Natural Environment – *Protect and enhance communities and the natural environment affected by transportation.*

National Security – *Ensure the security of the transportation system for the movement of people and goods, and support the National Security Strategy.*

Section 2: Improving Financial Information

Performance Planning and Management

On March 31, 2000, DOT delivered a combined FY 1999 Performance Report/ FY 2001 Performance Plan to the President and to Congress. In order to more clearly explain both our goals and results to the Administration, Congress, and the Public, we combined our report on 1999 results with our plan for 2001 performance. Managing and achieving good results is enhanced by a clear understanding of historical trends and recent results and using this understanding to devise effective strategies and resource allocations. That is what our combined 1999 Performance Report and 2000 Performance Plan does.

DOT has measured and assessed performance in various programs for some time, but this year marks the first time we have presented a top-level, Department-wide report on DOT's outcomes. Our FY 1999 Performance Report provides a public accounting of performance against the goals in the FY 1999 Plan. We are proud of our results -- we met or saw good trends in 77 percent of our goals. The FY 2001 DOT Performance Plan comprehensively links program activities found in each OA's budget to the Department's strategic goals. Most critically, the FY 2001 Performance Plan contains performance measures that we will use to assess progress in achieving long-range strategic goals. The plan organizes the presentation of these annual performance goals into five sections by strategic goal area. Within these five strategic goal areas, budget program activities are grouped together according to the annual performance goals they support. In this manner a clear line can be drawn from the mission to the strategic

goal, and finally to the performance goals, strategies, and requested resources.

The relationship between the performance plan's structure and the DOT budget is worth further discussion, since it gives insight into managing for results and financial accountability. The DOT Performance Plan is generally stated by major outcomes. The account and activity structure in the DOT budget varies by OA and type of budget account. In general, OA appropriation accounts group similar activities or funding mechanisms, and are not organized necessarily by outcome sought. Some appropriation accounts contribute to several different strategic outcomes, and in some cases, multiple accounts contribute to only one outcome, overall fatality reduction being the most salient example of this latter category. DOT's Performance Plan traces each appropriation account's program and financing structure to its strategic performance area, and in that fashion, each major program activity is traceable to a performance outcome in the plan.

Where DOT has been challenged is in accounting for both the primary and secondary impacts of budget activities. Program activities typically influence more than one outcome area, and therefore often they are associated with multiple performance goals. For example, building a new highway may affect travel time, congestion costs, emissions and land use, safety, and even national security. At the same time, achieving these outcomes typically requires efforts across multiple program activities. For this reason, there will never be a clean, one-to-one relationship between funding and outcomes. The aggregated approach in the DOT Performance Plan reflects a

Section 2: Improving Financial Information

reasonable compromise between completeness and clarity in this respect. It associates program activities and obligations with the primary purpose of the program, notes other programs which also contribute significantly to the same goals, and does not double-count resources.

DOT will continue to reexamine, and where possible, refine this approach for managing its resources and organizational performance. We also plan a closer link between performance accounting and cost accounting, as we refine our processes. DOT is committed to more refined “managerial” cost accounting, and sees this as integral to improving the efficiency with which the Department manages for results. To this end, DOT is investing in improved financial systems, based on state of the art data systems, that will provide the flexibility to better associate dollars with activities, outputs, outcomes, and performance goals.

Compliance with the Federal Financial Management Improvement Act

For the DOT Consolidated Financial Statement to receive an unqualified opinion, it was necessary to correct material audit findings relating to the Highway Trust Fund and to the FAA. In addition, any material weaknesses in other DOT entities, such as property, plant, and equipment and inventory problems in the Coast Guard and MARAD, had to be corrected. Successful validations and valuations of property, plant, and equipment, and inventory had to be completed to correct long-standing material internal control weaknesses associated with these assets. Asset

management problems were corrected through the execution of detailed corrective action plans extending over multiple years and involving numerous offices.

Further, full compliance with the Federal Financial Management Improvement Act of 1996 hinges on the successful implementation of Delphi throughout the Department. As part of central processing, DAFIS/Delphi revised and updated the Financial Statements Module to electronically process information into the Standard General Ledger and automate the preparation of the Adjusted Trial Balance for each Operating Administration within DOT. Final testing and validation are about to conclude. The module also contains a detailed audit trail so that all adjustments can be easily identified and audited. In addition, the FAA is completing the first stage of a broad ranging cost accounting system, and is developing an Interim Fixed Asset System (IFAS) which will receive data electronically from various property systems further tightening the integration of DOT’s financial systems. IFAS will compute the depreciation for FAA’s owned assets that meet the Department’s capitalization criteria. Finally, as the elements of the Department continue to migrate to Delphi, they will have enhanced cost accounting capabilities based on the best practices of the private sector. Although programs within the Department that operate in a business type environment now use cost accounting processes, all Delphi users will have the software infrastructure necessary to fulfill this objective.

Section 2: Improving Financial Information

Results of FY 1999 Audited Financial Statements

Nine years of *extensive* work by the Department on behalf of improving financial management reporting resulted, for the first time, in all DOT financial statements receiving unqualified opinions.

While the Highway Trust Fund received an unqualified opinion for FY 1996, this is the first unqualified opinion received since then. In the intervening years, the General Accounting Office and the OIG worked with us to resolve problems encountered in regard to trust fund revenues and investments at the Department of the Treasury.

This is the first time that FAA has received an unqualified opinion since the implementation of the audited financial statement initiative. To accomplish this milestone, FAA spent a number of years and extensive resources in the validation and valuation of their property, plant and equipment and inventory balances. FAA's corrective actions required the participation and coordination of both FAA headquarters and field facilities to resolve the weaknesses in these areas.

Continuing Efforts

Requirements continue to evolve as to the appropriate treatment in the financial statements for various accounting events. We plan to continue making improvements in standardizing accounting procedures as the central agencies provide guidance and clarify requirements. To improve the quality and timeliness of DOT's financial statement preparation by improving understanding and familiarity with the latest financial statement formats, agency financial management employees are strongly encouraged to take advantage of the variety

of training opportunities available in this regard.

We are also working to streamline the preparation of the statements and compliance with current external financial management requirements by continuing to develop the Interim Financial Statements Module – FSM 2000. Complete resolution of some of the problems with the financial statement formats may have to await the full implementation of Delphi, the Department's commercial off-the-shelf core accounting system replacement, which is currently scheduled for full implementation by the summer of 2001.



Section 2: Improving Financial Information

Financial Statement Progress

	<u>FY 93</u>	<u>FY 94</u>	<u>FY 95</u>	<u>FY 96</u> ²	<u>FY 97</u>	<u>FY 98</u>	<u>FY99</u>
Financial Statements							
Prepared	9	9	8 ¹	4	4	4	4
Audited	5	9	8	4	4	4	4
Results of Audits							
Opinions: Unqualified	1	2	4	2	1	2 ³	4
Qualified	1	2	3	--	1	--	--
Disclaimed	3	5	1	2	2	2	--

¹ Only eight FY 1995 statements were prepared and audited because, in FY 1994, Washington Metropolitan Area Transit Authority refinanced its debt eliminating any federal liability and reporting responsibility.

² Coverage of DOT accounts changed from FY 1995 to FY 1996 with the Government Management Reform Act requirement that financial statements, beginning with FY 1996, be prepared and audited for all DOT activities instead of limiting coverage to trust, revolving, and commercial funds. Except for three stand-alone statements, the FY 1996 consolidated financial statement replaced most individual statements reducing the number of statements from eight to four.

³ The Highway Trust Fund received an unqualified opinion on three of five principal financial statements. The remaining two new statements received a disclaimer.

Section 2: Improving Financial Information

Making Financial Information More Useful

Executive Reporting Framework (ERF)

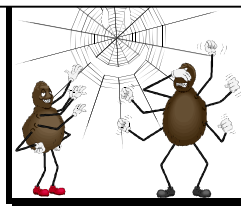
The DOT Executive Reporting Framework (ERF) was developed under the sponsorship of the CFO to bring together financial, program, and performance data and information in a way that can be used by policy officials, senior executives, and program managers to help them perform their jobs more effectively. It is designed to give complete, consistent, reliable, and timely information and provide an environment that fosters cross-cutting identification, analysis, discussion and resolution of issues. ERF accesses data from departmental financial systems and from financial and programmatic systems in use by the various OAs. It was developed using off-the-shelf software which supports analytical needs and has drill down analysis and flexible reporting capabilities. This functionality will be available in Delphi once it is implemented Department-wide.

DAFIS Management Information Reporting (MIR)

The DAFIS MIR Data Warehouse continues to be the main source of *day-to-day* financial management information for the Department. A warehouse of financial data from 1995 to the present, the MIR database is updated daily through an overnight process which provides the user with virtually the most current and accurate data for input into commercially available desktop management tools such as spreadsheets and graphic packages. Programs are now in place to automate fully the download process from core DAFIS, which eliminated the need for

manual intervention and make the updated data available to the user even more timely.

<http://ostpxweb.dot.gov/budget>



Click Here

for Financial Information

DOT's CFO Web Page on the Internet serves as a powerful tool of information technology by providing a one-stop source of reference information for DOT's financial managers and other clients. Users no longer need to spend time researching libraries, government financial manuals, and other office files to find the information they need to do their daily work. The site promotes efficient distribution of reports and documents and increases communication between headquarters and field offices. Individual section tags such as Reports, Budget, Travel, and Systems enable users to quickly find their areas of interest. DOT's Financial Management Directives, Consolidated Financial Statements Reports, FMFIA Reports, travel guidelines for employees, DOT's Annual Budgets, systems development information on accounting, payroll, travel management and information reporting systems, and much more are only a mouse click away.

The CFO Web Page also has hyperlinks to many valuable external financial resources such as OMB, Treasury, GSA, and other central agency policy directives and requirements, status of legislative actions, and several other government financial

Section 2: Improving Financial Information

reference sources and organizational activities.

CFO staff maintain the Web site themselves allowing prompt updates and revisions. During FY 1999, enhancements were made to permit quicker and easier access to all users, including users with the lowest common denominator Web browsers. Internally, the CFO office also utilizes DOT's Intranet for information sharing within the DOT financial management community.

Upcoming features planned for the CFO site include a web counter application to identify readers' areas of interest and usage trends, push technology to automatically alert the DOT financial management community of additions and revisions to our site as they occur, and a registration form to obtain feedback from users. To read more about our activities and our organization, visit us at

<http://ostpxweb.dot.gov/budget>.



Section 3: Streamlining & Modernizing Financial Services

Effective Tools for Cash and Debt Management

Electronic Funds Transfer

The Debt Collection Improvement Act of 1996 (DCIA 96) requires electronic funds transfer of all new payments after July 25, 1996 and *all* payments after January 1, 1999. In the Federal Government Direct Deposit/EFT program for employee payments, for example, DOT's participation rate is over 98 percent at September 30, 1999. Efforts continue on moving vendor and miscellaneous payments to EFT. Effective September 1999, DOT payment information is captured at the time of contract award or purchase order including vendors' taxpayer identification number. All contracts contain a condition that payments be made electronically. Currently, Treasury includes EFT information inserts with all vendor checks generated by FAA and USCG.

Target for Completion: Completed

Payment Performance Highlights

	FY 1999		FY 1998	
EFT:	# of Transactions	% of Total	# of Transactions	% of Total
- Salaries	2,528,000	98.4	2,544,000	96.8
- USCG Ret. Pay	393,000	97.9	367,000	93.9

Managing Debt

The Debt Collection Improvement Act of 1996 also provides for referral of debts over 180 days delinquent to Treasury for offset or collection (cross-servicing). DOT continues to work with Treasury on debts appropriate for cross-servicing. Meanwhile, DOT is improving its collection of outstanding debts so that we collect debts sooner, and reviewing debts to ensure we are carrying only viable debts on our books. We continue to work with Treasury on additional debt appropriate for cross-servicing.

Debt Management Performance Highlights

	(\$ in millions)	
	FY 1999	FY 1998
Direct Loans and Non-Credit Receivables	\$1,130	\$1,146
Collection of Receivables	182	152
Delinquent Debt	151	191
Write Offs	67	27
Referred to Treasury	1.1	22

Eliminated Imprest Funds, Third Party Drafts, GTR's, and SF-44s

By using credit cards, ATM's, travelers checks, and other payment methods, DOT was able to close most of its imprest funds and get away from the costly practice of maintaining large balances of idle cash. DOT had 608 imprest funds which held over \$6.3 million in cash outside of Treasury. By closing 547 imprest funds, approximately \$200,000 in interest cost is being saved annually.

Section 3: Streamlining & Modernizing Financial Services

In FY 2000, we eliminated the use of third party drafts, Government Transportation Requests, and Standard Form-44 (Purchase Order, Receiving Report, Invoice) in favor of the small purchase credit card, thereby saving additional administrative overhead for processing and securing of these cash instruments.

Government-wide Small Purchase Credit Card Program

DOT continues to achieve substantial dollar savings and other benefits by using the Government-wide Small Purchase Credit Card Program (IMPAC card) as a cost effective and efficient means of acquiring products and services, as compared to processing paper based purchase orders. Use of the card, mostly for purchases under \$2,500, has helped DOT to save significant amounts in administrative processing costs for small purchases. Progress this past year continues. In FY 2000, DOT saved more than \$46.2 million over the use of paper-based purchase orders at a savings of nearly \$57 per transaction. For added administrative efficiencies, USCG is cross servicing payment processing for FTA, FHWA, FRA, MARAD, OST, BTS, TASC, STB, and the Volpe Center. In addition, FAA cross services for OIG, NHTSA, and RSPA.

In FY 1999, DOT transitioned to a new small purchase card contractor, Bank of America. Value added features available for potential use include stored value cards, debit card services, ATM, Inter/Intragovernmental purchases, hybrid card, photo ID on cards, and net billing.

Do It Yourself (DIY) Internet Payment

<http://diy.dot.gov>



Harnessing the opportunities provided by the Internet, DOT is integrating the use of Internet applications into financial management business practices. The first of these options involves offering DOT customers the capability to pay for registration, filings, and debts over the Internet with a credit card. DOT collects fees for professional certificates, licenses, penalties, fines, and training courses. Since many of the payments received by DOT involve dollar amounts from \$10 to \$20,000, these payments are in the range most appropriate for credit card use. By using the Internet for credit card payments, DOT customers gain 24-hour access to DOT and may pay at their convenience. From the DOT perspective, the vulnerabilities associated with paper checks and forms disappear: checks will not be lost; multiple data re-entry can be avoided; DOT data entry errors are eliminated; and forms no longer are misplaced or separated from checks.

In FY 1999, the FHWA brought the initial payment site on-line. The site offers customers three payment services: certificate registration, insurance and fines/penalties. In FY 2000, sites were made available to process payments for FAA, USCG, RSPA, MARAD, FRA, FMCSA and NHTSA, covering more than a dozen payment programs. As the DIY payment process matures, it is envisioned that DOT will expand to all appropriate payment areas.

Target for Completion: CY 2001

Section 3: Streamlining & Modernizing Financial Services

♦ Electronic Commerce

DOT has made significant strides in the area of electronic commerce as shown in the following initiatives. To allow our vendors improved access for invoicing and determining the status of payments, we are exploring ways to expand our coverage. We are investigating best practices and determining the state of the market including cross servicing with other agencies such as the Department of Defense and the Department of Interior. Some of our initiatives are highlighted below.

Central Contractor Registration

On May 12, 2000, DOT signed an agreement to partner with the Department of Defense, Joint Electronic Commerce Program Office (JECPO) to use Central Contractor Registration (CCR). Transportation finance offices will integrate the CCR vendor data, specifically the financial electronic funds transfer (EFT) information, into their new financial system. Vendor EFT information is input and maintained by vendors using DoD's web-based CCR program which currently has EFT and other information for over 166,000 contractors.

As a result of this partnership, DOT will significantly increase the number of electronic vendor payments and decrease reporting by vendors, procurement, and finance staff. Economies and efficiencies are achieved by a single transmission of this information rather than separately sending this data for each contract award. Should the vendor's EFT information change at any time, modification to the vendor's data in CCR would register that change with all elements of DOT and Defense.

Web Enabled Invoice Inquiry



As of May 1998, the Coast Guard Finance Center has actively advertised for commercial vendors to submit Electronic Invoices directly to the Finance Center via the Internet using the Standard Mail Transfer Protocol. The Coast Guard Finance Center World Wide Web site has a page dedicated to offering this service to vendors and explains procedures and benefits. The URL for this site is [http:// www.uscg.mil/hq/fincen/electron.htm](http://www.uscg.mil/hq/fincen/electron.htm)

MARAD's Electronic Invoice System

MARAD has been developing and implementing an Electronic Invoice System (EIS) whereby MARAD's ship managers can submit their invoices electronically to MARAD's approving officials in regions and field offices. These invoices received electronically by MARAD regions and field offices will be approved and forwarded electronically to the Headquarters for payments. The EIS will streamline the payment process and reduce the administrative burden for MARAD. In addition, it will enable MARAD's ship operation group to timely collect cost history by vessel electronically regarding purchases, repairs, fuels, etc.

Web-Based Electronic Purchase Orders

Currently in systems development with the Coast Guard is a module plug-in to the next version of the Financial Desktop enabling 128-Bit encrypted Electronic Commerce with commercial vendors. This module, which is targeted towards small businesses, will roll into production with the LUFS-NT migration schedule. Electronic Purchase Orders issued by

Section 3: Streamlining & Modernizing Financial Services

Coast Guard field units will be electronically placed in a "mailbox" residing at the Coast Guard Finance Center. An e-mail notification is sent to the vendor and the vendor may retrieve the Purchase Order via the Internet. After filling the purchase order, the vendor may electronically generate an invoice, which is sent back to the Finance Center mailbox and enters the Workflow Imaging System for payment processing.

Upon final implementation, there will be a 100% web-based invoice image inquiry and payment history application. This application enables queries into the Finance Center database to view procurement and invoice documents, obtain detailed payment history information and track document processing at the Finance Center.

Prototyping and implementation of these initiatives is expected to continue through FY 2001.

Target for Completion: FY 2001

♦ Electronic Grants

Electronic Signature Billing

FHWA's Electronic Signature (ELSig) billing process for grant payments permits States to bill FHWA in a truly paperless environment. It facilitates same day payment enabling FHWA and the States to minimize the potential for interest payments under the Cash Management Improvement Act. A significant improvement to FHWA's Current Billing System (used to reimburse the 50 State DOT's, plus DC and Puerto Rico, approximately \$20 billion each year). ELSig has now been implemented in all but Mississippi and Puerto Rico, which

are in various stages of testing the new process.

Revisions to the Current Billing System are also in process to automatically edit the amounts being billed for each project against the available project agreement. At the present time this check is being performed as a post audit. When overpayments occur, an error listing is generated requiring the State to provide a credit, generally within 30 days. Automating this process will virtually eliminate overpayments and reconciliation work, saving both FHWA and the States staff time and dollars. Additionally, the mechanism used to perform wire transfers has been changed from the Federal Reserve's FOX payment system to the Treasury's Electronic Certification System. This change permits the transmission and warehousing of payments, to further ensure that payments will be made within the required timeframes.

Electronic Grant Making/Management

The Federal Transit Administration (FTA) implemented the Transportation Electronic Award and Management or the TEAM System in November 1998. The TEAM system is web accessible and utilizes Graphical User Interface user interfaces. FY 1999 was the transitional year for our grant recipients. In FY 2000 FTA processed all awards for financial assistance electronically.

The TEAM system maintains external interfaces with the Agency's financial and oversight systems. The system manages the historical data warehouse for financial and oversight information for over 60,000 applications. FTA developed a number of

Section 3: Streamlining & Modernizing Financial Services

web based data retrieval programs that provide exported file to other FTA subsystems to improve the consistency of the grant delivery process and project over-sight.

During the operational year 2000 the FTA provided over 100 training sessions to maintain the quality and integrity of the information contain in the TEAM data warehouse.

FY 2001 will be devoted to rolling out a web version of the TEAM system. In addition, FTA will be targeting errors for data cleanup in the historical records, planning to conduct program delivery, error prevention, and web reporting training. FTA will be concentrating on increased reporting features for information that comes from other FTA sources through the TEAM interfaces (i.e. Civil Rights, Financial Activity, Program Delivery, etc.).

Target for Completion: Completed

Consolidated Planning Grants

FTA and FHWA have implemented a Consolidated Planning Grant (CPG) initiative which combines planning funds from both agencies into a single consolidated grant. In FY 1997, FTA and FHWA began offering States the option of participating in a pilot of the program for FTA's Metropolitan and Statewide programs and FHWA's Metropolitan Planning and State Planning and Research programs. Currently eleven States are participating in the pilot program.

For the first three full fiscal years under the pilot, FY 1997, FY 1998, and FY 1999, total CPG obligations were \$12.418

million, \$12.833 million, and \$16.684 million, respectively.

For the first two years of the pilot, CPG obligations accounted for approximately 25% of all obligations for formula planning programs. In FY 1999, FTA obligations under the CPG pilot grew to more than 31% of all FTA formula planning program obligations. States have a single point of contact with FTA/FHWA for planning activities and programs. FY 2001 will be devoted to help promote and streamline the CPG process.

Target for Completion: Completed

Web-Based Travel Services

DOT continues its efforts to streamline government travel to reduce costs, increase service, and make the entire travel process more efficient.

Recognizing the power of Internet technology to enhancing our business practices, in FY 1999, we spearheaded efforts to procure a self-booking supplier, which is a web-based system to enable federal travelers to book travel electronically with or without the help of a travel agent. The new system will allow federal travelers to book tickets, change and cancel itineraries, access fares, conduct a low-fare search, and choose seats at any hour.

The implementation of the web site for government travel will benefit government agencies, the end user (traveler or travel arranger), and travel industry suppliers. The new travel management system will reduce booking fees significantly compared to traditional booking methods. DOT's overall objective is to make available a utility by

Section 3: Streamlining & Modernizing Financial Services

which Federal travelers can book all travel requirements through an electronic process. The supporting objectives of the project are as follows:

- Minimize travel processing costs for the government and ultimately the taxpayer.
- Insure consistent high quality reservation services for Federal travelers.
- Maximize the access to travel planning and negotiating information for Federal travelers, GSA, Federal agencies and other travelers who are deemed eligible by DOT.
- Enhance the government's ability to establish new travel supplier relationships to enhance quality and reduce costs.
- Enhance and support the GSA program for government travel management.

The web site will be available to DOT employees who travel and is open to any government agency traveler, contractor, or grantee choosing to utilize the facility for travel requirements. Government agencies may use their own travel agency, a GSA sponsored travel agency, or the fulfillment source established by DOT for tickets and support.

In addition to the self-booking system, a travel and expense (T&E) service will be selected in early 2001 to process travel orders and vouchers on the web. The T&E service will also provide value added receipt management using imaging and voucher examination services. Major features of the web T&E service include:

- Reduced travel processing costs –

Travelers, approvers, accounting staff and others will no longer spend endless frustrating (and expensive) hours preparing and processing travel authorizations and vouchers.

- Convenience and efficiency – The service will be available 24 hours a day, 7 days a week, 365 days a year. Travelers can spend more time on their mission and less time on travel processing.
- Quick reimbursement – Travelers will be paid within 24-48 hours, long before their credit card bills come due. The service adheres to public law mandating traveler reimbursement in 30 days.
- IT savings – The service, including all software and hardware, will be hosted by an Applications Service Provider (ASP) on the provider's site, rather than the user's site. There will be no in-house expenses such as LANs, WANS, Servers, and other technical support.
- Paperless – Receipts can be imaged and stored electronically along with authorizations and vouchers. Approvals will also be completed electronically.
- No development, capital, or implementation costs – By using a COTS package, DOT will incur no development or capital costs to obtain the service. Travelers will pay for the service on a transaction fee basis. There will be no implementation costs and the vendor will only receive payment when travelers use the service,
- Volume cost savings – Fees are reduced as transaction volume increases. This service will be

Section 3: Streamlining & Modernizing Financial Services

available to other Federal agencies as well as DOT. Over the next five years, there is potential for significant savings with extensive use of the service by DOT and other Federal entities.

Target for Completion: FY 2001

Web Expense System

In conjunction with the Delphi implementation, DOT is planning on implementing a Web Expense system to allow for faster, more efficient tracking of miscellaneous expenses (other than travel expenses). Typically, users will be able to input expense reports from receipt through final reimbursement. The Web Expense system will utilize the existing Delphi Accounts Payable and General Ledger modules as the stable, static basis for the implementation of the Web Expense System.

Target for Completion: FY 2002

♦ FAA Administrative Services Franchise Fund

The FAA Administrative Services Franchise Fund completes its fourth year of operation at the close of FY 2000. The franchise fund concept involves the application of market forces and business-like practices in the performance of support services. Organizations that currently excel in providing a product or service can gain further efficiencies through consolidation or partnering with other like activities. Both the Government agencies and taxpayers benefit through direct cost reductions or indirect cost avoidance.

In addition to the financial management (FM) functions of accounting, payroll,

and travel the franchise fund offers multi-media services, printing, and management and international training. These organizations have identified a number of benefits associated with the franchise environment including a more business-like orientation, customer-driven decisions, emphasis on the cost of doing business, reduction in prices of some products, and flexibilities associated with the revolving fund environment. In addition, all franchise organizations have developed baseline cost and performance indicators/measures, and are conducting ongoing tracking to help identify further opportunities for improvement. During FY 2000, the agency moved forward with plans to expand the franchise to include the FAA Logistics Center and the aircraft maintenance function of Aviation System Standards. As a result, financial benefits are being derived through improved interface between the accounting and inventory support systems and improved asset management. It is expected the actual activation of the franchise in these areas will create economies of scale associated with the allocation of overhead to an expanded customer base. There is also anticipation that users will make better consumption choices as they move to a more cost visible environment.

Current FM initiatives of the franchise fund include continuation of work to improve the franchise billing process, active involvement in implementation of the FAA cost accounting system, participation in labor distribution reporting, and a key role in the development of measurement and evaluation processes. The accounting organization has the lead in the development of Delphi. This COTS

Section 3: Streamlining & Modernizing Financial Services

based system is fully compliant with FASAB requirements and will provide the opportunity to expand cross-servicing within the Department and to other Government agencies.

The Interim Fixed Asset System (IFAS) will compute the depreciation for FAA's owned assets that meet the capitalization criteria for FY 2000 and monthly beginning in FY 2001. FAA is pulling the August 2000 data on the personal property (PPIMS) and real property (REMS) from the legacy systems and using SAS data warehousing to put the information into Oracle tables for IFAS. September legacy system transactions will complete the basis for FY 2000 depreciation. The plan is to integrate the IFAS data with Delphi when it becomes FAA's official accounting system of record.

DOT Cross Servicing Activities

Opportunities for streamlining financial management activities have not been ignored in DOT. Some cross servicing arrangements are within DOT and cover both Department-wide activities and multiple organizational activities, while others are between DOT and other Departments. The chart on the next page shows these activities.



Section 3: Streamlining & Modernizing Financial Services



DOT Financial Management Cross-Servicing Activities

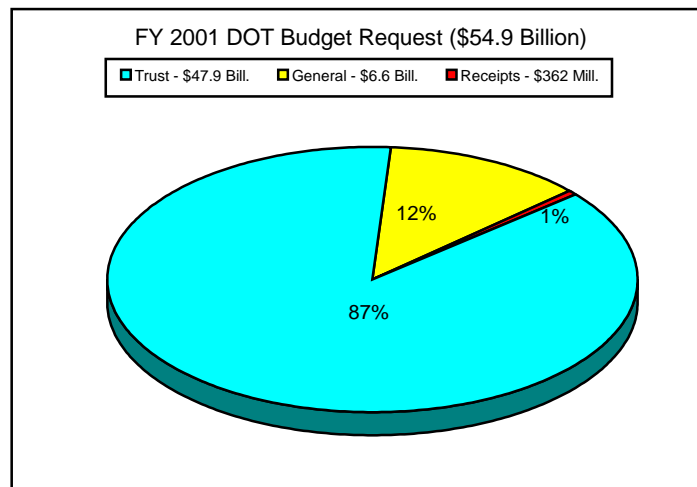
Service Provider	Activity	Service Receiver *
FAA	Accounting Operations, including Credit Card Payments	OIG, NHTSA, RSPA (except Volpe Center); TASC - in process
FAA	Civilian Payroll Systems	DOT-wide (except STB, NTSB, & SLSDC)
FAA	Cash Management Operations	DOT-wide
FAA	Financial Systems Operations/Maintenance	DOT-wide
FAA	Permanent Change of Station Processing	DOT-wide (except USCG, part of FHWA processing, and Volpe Center)
FTA	Accounting Operations	TASC for FY 99, transitional for FY 00; OST, BTS, STB
FTA	Grant Payments	FAA
MARAD	Fed-Wire Payment Processing	FHWA
TASC	Personnel Management Information	DOT-wide, NTSB
TASC	IT Procurement Mechanism	Government-wide
USCG	Credit Card Payments; Traveler Payment Status 800 number (FAA, Volpe, MARAD)	OST, FHWA, BTS, FTA, STB, MARAD, TASC, Volpe, FRA

*Excludes SLSDC

Section 4: Maximizing Financial Resources

Where the Funds Come From

DOT's budget is supported primarily by three types of revenue sources: (1) trust funds, (2) general revenue funds, and (3) direct receipts. Trust funds derive revenue from special fees, such as motor fuel taxes and airline ticket taxes. More than two-thirds of the Department's funding is derived from trust funds and other fees. The two largest trust funds, the Highway Trust Fund and the Airport and Airways Trust Fund, account for most of DOT's funding and support the Department's programs for maintaining and improving transportation infrastructure. General revenue funds are obtained from the general taxes of the United States. Direct receipts are resources from non-Federal entities that are directly available for DOT Programs.



\$\$\$ for the 21st Century

Transportation Equity Act for the 21st Century (TEA-21)



On June 9, 1998, the President signed into law the Transportation Equity Act for the 21st Century (TEA-21) authorizing highway, highway safety, transit and other surface transportation programs for the next 6 years.

TEA-21 builds on the initiatives established in the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA). This new Act combines the continuation and improvement of current programs with new initiatives to

Section 4: Maximizing Financial Resources

meet the challenges of improving safety as traffic continues to increase at record levels, protecting and enhancing communities and the natural environment while providing transportation, and advancing America's economic growth and competitiveness domestically and internationally through efficient and flexible transportation.

Significant features of TEA-21 include:

- a. Assurance of a guaranteed level of Federal funds for surface transportation through FY 2003, keyed to receipts of the Highway Account of the Highway Trust Fund for highway funding and a selected fixed amount for Transit funding.
- b. Extension of the Disadvantaged Business Enterprises program.
- c. Strengthening of safety programs across the Department of Transportation including new incentive programs, with great potential for savings to life and property.
- d. Continuation of the program structure established under the ISTEA legislation and addition of new programs such as Border Infrastructure, Transportation Infrastructure Finance and Innovation, and Access to Jobs which target special areas of national interest and concern.
- e. Investment in research and its application, with special emphasis placed on deployment of Intelligent Transportation Systems to help improve operations and management

of transportation systems and vehicle safety.

- f. Extension of the of highway-user taxes through September 30, 2005 at the same rates in effect prior to TEA-21 enactment. These taxes consist of taxes on highway motor fuel and truck related taxes, including an annual tax on heavy vehicle use, a weight-based tax on heavy truck tires and a retail sales tax on truck and trailer sales. Most of these taxes would have expired after September 30, 1999.

Significant features of TEA-21 financing include:

- a. Guaranteed Investment Levels: Highway and transit discretionary programs are guaranteed a floor (a minimum level of spending) by new budget categories which effectively establish a budgetary "firewall" between each of those programs and all other domestic discretionary programs. Previously the highway and transit discretionary programs competed for annual budgetary resources with most other domestic programs.
- b. Authorizations and Investment: The minimum level of spending amount for highways is keyed to the projected receipts to the Highway Account of the Highway Trust Fund and will be adjusted as new receipt projections and actual receipts become available. The guaranteed funding for transit programs has a single component—the minimum level of spending amount—which is not keyed to Trust Fund receipts.

Section 4: Maximizing Financial Resources

- c. *Increases and Decreases*: A portion of any increase in receipts to the Highway Account is reserved for the Federal-aid highway and highway safety construction programs allocated by the Secretary of Transportation—programs that are not apportioned by statutory formula. The remainder of the increase is distributed to the States proportional to their shares of apportionments from the Highway Account. Should a decrease be necessary, the reductions would be made in the succeeding fiscal year and applied proportionally to all Federal-aid highway and highway safety construction programs except Emergency Relief.
- d. *Obligation Limitations*: Spending limitations are applied to most programs. However, obligation limitations set aside each year for certain programs (e.g. Woodrow Wilson Memorial Bridge) do not expire if not used by the end of the fiscal year, but can be carried over to future years. Limitations for research and technology programs may be carried over for 3 years.

Using Innovative Financing to Supplement Federal Funds

DOT continues to build on opportunities provided by transportation legislation by using innovative financing techniques that move construction projects ahead faster, cut red tape, and supplement Federal funds with private and non-Federal public investment. The Transportation Infrastructure Finance and Innovation Act (TIFIA) of TEA-21, will continue this practice. It will provide Federal assistance to major transportation projects of critical national importance, or which cross jurisdictions or traditional modal

boundaries and sometimes have trouble getting the funding despite their value.

TIFIA's purpose is to fill gaps in market funding or to leverage additional non-Federal resources. It does this through direct Federal loans, loan guarantees, and standby lines of credit. Selection will be based on the extent to which a project generates economic benefits, leverages private capital, and promotes innovative technologies. TIFIA's \$530 million of contract authority could support up to \$10.6 billion of credit assistance for everything from roads and bridges to freight transfer facilities to MagLev systems. To qualify, a project must cost at least \$100 million or 50 percent of a State's annual apportionment of Federal-aid funds, whichever is less, it must be supported in whole or in part from user charges or other non-Federal dedicated funding sources, and it must be included in a State's transportation plan. Appendix A shows various projects approved for TIFIA funding in FY 1999 and FY 2000.

◆ *State Infrastructure Banks (SIBs) Program*

Another major initiative that is enhanced in the current legislation is State Infrastructure Banks, or SIBs. SIBs use Federal seed capital to leverage private investment through loans and credit enhancement assistance, and are meant to serve as ongoing, revolving loan funds. As projects are implemented, loans are repaid to the SIB and the proceeds are used for new projects in a continuing cycle. Thirty-nine States were authorized to capitalize SIBs using ISTEA funds. TEA-21 established a new SIB pilot program for 4 more States. These states may continue to capitalize the SIBs using

Section 4: Maximizing Financial Resources

TEA-21 funds. The previous capitalization limit, 10 percent of a State's Federal funds, was lifted, enabling these States to determine the level of funds they need to make their SIBs work. In addition, the kinds of projects SIBs can support are broader and more intermodal. One of the key aspects of SIBs, both under the ISTEA and TEA-21 pilot programs, is the flexibility the program provides states to direct resources toward locally high priorities, and assist with intermodal projects of regional significance.

Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (AIR-21)

On April 5, 2000, the President signed into law the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (AIR-21), authorizing aviation programs of the FAA and elsewhere in DOT through FY 2003. The Act authorizes record amounts of federal aviation capital and operations funding, enhances safety and consumer protection programs, and provides FAA management reforms that build on personnel and procurement reform legislation previously enacted in recent years.

- a. AIR-21 provides substantial growth in funding for FAA—an increase of 39% (or \$3.9 billion) by FY 2003 over FY 2000. The growth is in FAA's Airport Grants program (up 79%), FAA Facilities and Equipment (up 44%), FAA Research, Engineering and Development (up 59% by fiscal year 2002, the last year AIR-21 authorizes this account), and FAA Operations (up 23%).
- b. Aviation safety will be enhanced by several sections of AIR-21. The

Act strengthens sanctions for the use of counterfeit parts in aircraft, and provides whistleblower protections for FAA and aviation industry employees. The Act increases penalties for "air rage" incidents on passenger aircraft, and states that ignorance of the law is no defense in cases of hazmat shipping violations.

- c. Environmental concerns are addressed by increased grant funding for noise mitigation measures around airports, and provisions for air tour management plans at national parks and tribal lands.
- d. The Act increases from (\$3 to \$4.50) the maximum Passenger Facility Charge (PFC) that an airport authority can impose on travelers. The PFC program raises about \$1.5 billion annually for capital improvements at airports. Under AIR-21, DOT must find that a proposed project at a hub airport will significantly contribute to safety, security, competition among air carriers, or reduced congestion or noise before PFCs are raised above \$3. Also, hub airports dominated by one or two air carriers must file competition-enhancing plans with DOT before imposing new PFCs or receiving FAA airport grants.
- e. Other AIR-21 provisions also will increase air carrier competition and service. Federal slot controls at Kennedy, LaGuardia and O'Hare airports are phased out by 2002, and additional flights are allowed at Reagan National Airport.

Section 4: Maximizing Financial Resources

Authorized funding for the Essential Air Service program is increased by \$15 million per year, and a new pilot program is authorized (with \$20-27.5 million per year) to assist smaller communities in attracting better service. Smaller airports whose enplanements fall because service is interrupted by such events as strikes or severe weather are permitted to maintain their eligibility for FAA airport grants.

- f. Important gains are included in terms of passenger rights and disability issues. Civil penalties are increased for passenger rights violations, and rights for people with disabilities are extended to travel on foreign carriers. Increasing amounts of funds are authorized for consumer protection enforcement in the Office of the Secretary of Transportation.
- g. In the area of management reform, AIR-21 creates a five-member Air Traffic Services Subcommittee of FAA's Management Advisory Council, with oversight responsibilities for budget, procurement, personnel

assignments and strategic planning. A chief operating officer for air traffic services would be appointed to focus on performance-oriented management practices.

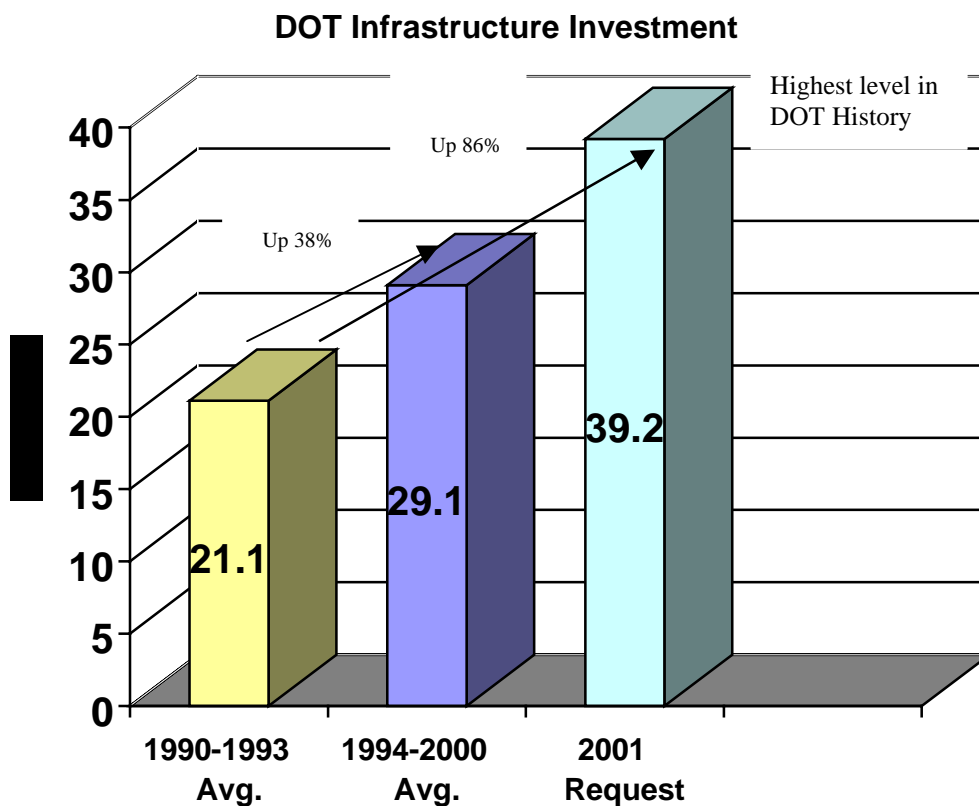
- h. In terms of budgetary treatment, AIR-21 stipulates that each fiscal year, an amount equal to that year's excise tax revenues and interest into the Airport and Airway Trust Fund, as estimated in the President's Budget, shall be made available for the four major FAA appropriations accounts. The Act creates House and Senate rules that may be used to challenge any deviation from this formula. Additional amounts may be appropriated from the General Fund for FAA's Operations account if Trust Fund receipts are insufficient to fully fund all four accounts. The Act also establishes House and Senate rules that can be used to challenge any underfunding of the combined authorized levels for Airport Grants and Facilities and Equipment, and stipulates that any underfunding of Facilities and Equipment should be added to the Airport Grants account.

Section 4: Maximizing Financial Resources

Where the Funds Go

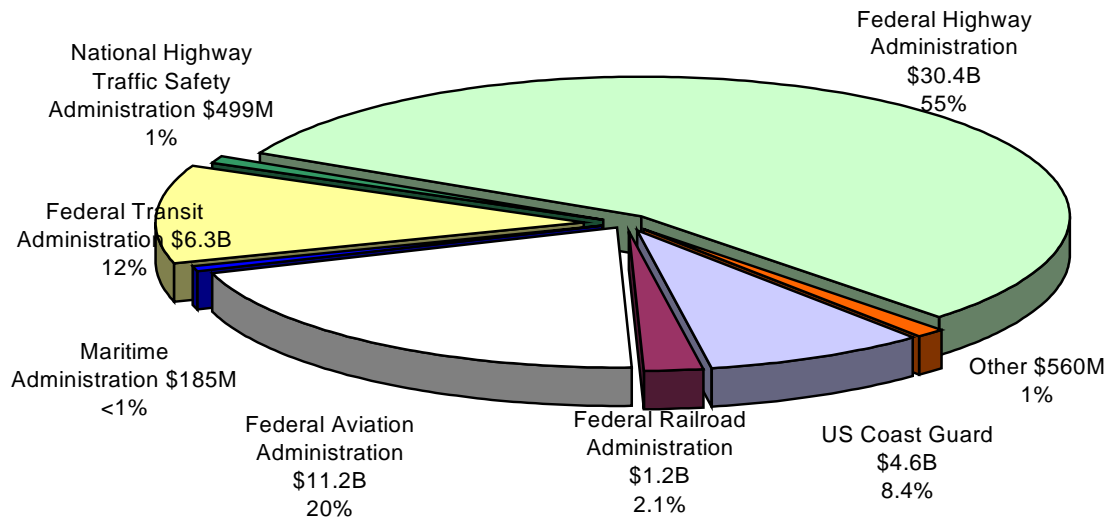
Federal funding for transportation infrastructure—improving the Nation's highways, transit rail and bus systems, intercity passenger rail service, airports and bridges—is the largest component in DOT's budget.

Infrastructure funding focuses on ensuring a safe, efficient, accessible and convenient transportation system that meets vital national interests and enhances the quality of life of the American people. The Department's FY 2001 Budget proposed an 86 percent increase in transportation infrastructure investment compared to the 1990-1993 average.



Section 4: Maximizing Financial Resources

FY 2001 DOT Budget



The following charts show DOT actual and planned fund usage, as published in the DOT FY 2001 Budget in Brief, for major DOT Operating Administrations and their programs:

\$ in Millions

Federal Highway Administration

	FY 1999 <u>Actual</u>	FY 2000 <u>Enacted</u>	FY 2001 <u>Request</u>
Federal-Aid-Highways Obligation Limitation	25,511	27,520	29,319
Mandatory Federal-Aid Highways	1,234	1,207	1,039
Other	332	3	0
TOTAL	27,077	28,729	30,358

Section 4: Maximizing Financial Resources

\$ in millions

Federal Transit Administration

	FY 1999 <u>Actual</u>	FY 2000 <u>Enacted</u>	FY 2001 <u>Request</u>
Formula Grants Program	2,799	3,048	3,345
Capital Investment Grants	2,307	2,490	2,646
Job Access and Reverse Commute	75	75	150
Research and Planning	98	107	110
Washington Metro (WMATA)	50	0	0
Other	59	66	70
TOTAL	5,389	5,785	6,321

National Highway Traffic Safety Administration

	FY 1999 <u>Actual</u>	FY 2000 <u>Enacted</u>	FY 2001 <u>Request</u>
Operations and Research	161	160	286
Highway Traffic Safety Grants	200	207	213
TOTAL	361	367	499

Federal Railroad Administration

	FY 1999 <u>Actual</u>	FY 2000 <u>Enacted</u>	FY 2001 <u>Request</u>
Amtrak Capital*	609	571	521
Expanded Intercity Rail Capital**	0	0	468
Safety and Operations***	82	94	103
Next Generation High-Speed Rail	20	227	22
Research & Development***	22	22	27
Other	45	26	38
TOTAL	778	740	1,179

*Does not include an estimated \$1.1 billion in Taxpayer Relief Act Funds available to Amtrak in 1999.

**To be funded from higher than anticipated receipts in the Highway Trust Fund under Reserve Aligned Budget Authority.

***For 2001, includes \$77.3M in proposed user fees in Safety and Operations and \$25.5M in proposed user fees in Research and Development.

Section 4: Maximizing Financial Resources

\$ in Millions

Federal Aviation Administration

	FY 1999 <u>Actual</u>	FY 2000 <u>Enacted</u>	FY 2001 <u>Request</u>
Operations	5,586	5,893	6,592
Facilities and Equipment	2,121	2,045	2,495
Research, Engineering & Development	150	156	184
Airport Grants*	1,950	1,846	1,950
TOTAL	9,807	9,941	11,222

*Includes supplemental request in 2000.

U. S. Coast Guard

	FY 1999 <u>Actual</u>	FY 2000 <u>Enacted</u>	FY 2001 <u>Request</u>
Operations*	2,697	2,779	3,199
Capital*	394	387	520
Research	12	19	21
Retired Pay	684	730	778
Reserve Training	69	72	73
Environmental Compliance	21	17	17
Other	39	15	0
SUBTOTAL	3,916	4,020	4,609
Supplemental Appropriations	588	18	0
TOTAL **	4,504	4,038	4,609

*For 2001, includes \$116M in proposed user fees in Operations and \$96M in proposed user fees in Capital.

**Does not include mandatory appropriation totaling \$64M in 1999 through 2001 for Boat Safety Grants.

Research and Special Programs Administration

	FY 1999 <u>Actual</u>	FY 2000 <u>Enacted</u>	FY 2001 <u>Request</u>
Research & Special Programs*	31	32	43
Emergency Preparedness Grants	9	14	14
Pipeline Safety	35	37	47
TOTAL	75	83	104

*Includes \$4.7 M in proposed user fees in 2001.

Section 4: Maximizing Financial Resources

\$ in Millions

Maritime Administration

	FY 1999 <u>Actual</u>	FY 2000 <u>Enacted</u>	FY 2001 <u>Request</u>
Operations & Training	72	73	80
Maritime Security	90	96	99
Title XI Guaranteed Loans	10	10	6
TOTAL	172	179	185

Federal Motor Carrier Safety Administration

	FY 1999 <u>Actual</u>	FY 2000 <u>Enacted</u>	FY 2001 <u>Request</u>
Operations*	0	70	82
Research	0	6	10
Motor Carrier Safety Grants	100	105	187
TOTAL	100	181	279

*Operations of \$55M funded in 1999 within the Federal Highway Administration.

Office of the Secretary

	FY 1999 <u>Actual</u>	FY 2000 <u>Enacted</u>	FY 2001 <u>Request</u>
Salaries & Expenses	67	66	69
Transportation Planning, Research & Development	9	3	5
Civil Rights/Minority Business Resource Center	12	12	14
Essential Air Service*	0	5	22
TOTAL	87	79	110

*Program level of \$50M proposed in 2000 and 2001.

**Transportation Infrastructure Finance and Innovation Act
Projects Approved for Financing**

PROJECTS APPROVED FOR TIFIA FUNDING IN FY 1999	TIFIA Loan	Subsidy Cost	Total Project Costs
Miami Intermodal Center (FL)	\$436M	\$8.8M	\$1.4B
Tren Urbano (PR)	\$300M	\$9M	\$1.7B
WMATA (DC)	\$600M	\$9M	\$2.3B
Farley Penn Station (NY)	\$160M	\$19.9M	\$750M
SR-125 (CA)	\$127M	\$13.7M	\$400M

PROJECTS APPROVED FOR TIFIA FUNDING IN FY 2000	TIFIA Loan	Subsidy Cost	Total Project Costs
Tacoma Narrows Bridge (WA)	\$270M	\$24.5M	\$835M
Cooper Rivers Bridge (SC)	\$215M	\$5.6M	\$650M
Staten Island Ferry (NY)	\$153M	\$7.3M	\$463M